

OPEN MEETING

MEMORANDUM



0000025204

RECEIVED

416
Arizona Corporation Commission

DOCKETED

2001 MAY -8 P 2:52

AZ CORP COMMISSION
DOCUMENT CONTROL

TO: THE COMMISSION

FROM: Utilities Division

MAY 08 2001

DATE: May 8, 2001

DOCKETED BY	<i>sd</i>
-------------	-----------

RE: CITIZENS COMMUNICATIONS COMPANY - FILING FOR APPROVAL OF A GAS SUPPLY AGREEMENT WITH PP&L ENERGY PLUS AND CHANGES TO THE NEGOTIATED SALES PROGRAM TARIFF (DOCKET NO. G-01032A-01-0372)

On May 2, 2001, Citizens Communications Company ("Citizens") filed for Commission approval of a gas supply agreement with PP&L Energy Plus for the Griffith Energy generating facility ("Griffith"). Citizens filing also requests Commission approval of several changes to the Negotiated Sales Program ("NSP") tariff.

The Griffith plant is a 650 megawatt natural gas fired generation facility that is located near Kingman, Arizona. Duke Energy and Griffith Energy LLC, a subsidiary of PP&L Global, Inc., own the Griffith plant. Griffith anticipates beginning commercial operation in June 2001. Previously, the Commission approved a special gas transportation agreement between Citizens and Griffith on July 21, 1999 (Decision No. 61835) approving Citizens' construction of natural gas pipeline facilities to interconnect Griffith with the El Paso and Transwestern interstate pipelines.

The proposed changes to the NSP tariff add language indicating that special gas supply contracts such as this contract between Citizens and Griffith are eligible for service under the NSP tariff, but require Commission approval. Currently, the wording of the NSP tariff limits service on the tariff to customers who receive service under Citizens' T-1 tariff for transportation of customer-secured natural gas. Because Griffith is a new customer, it does not currently receive any type of gas service from Citizens and, therefore, does not qualify for service under the current NSP tariff. Any customer served under a special gas supply contract would have to meet the minimum requirements of the T-1 tariff.

Citizens has provided the proposed contract to Staff under a confidentiality agreement. The term of the proposed agreement would be July 1, 2001, through September 30, 2003. The agreement contains a clause indicating that the parties will make their best efforts to implement the terms of the agreement prior to July 1, 2001, if Commission approval is granted before July 1, 2001. Citizens currently holds interstate pipeline capacity rights on the El Paso Natural Gas Company and Transwestern interstate pipelines. Citizens will use existing pipeline capacity rights to serve Griffith. The proposed agreement would be used to supply Griffith with a portion of its natural gas needs.

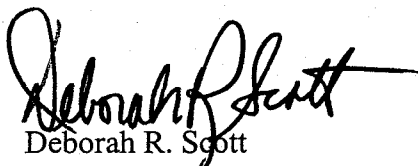
THE COMMISSION

May 8, 2001

Page 2

Staff has reviewed the proposed agreement and believes that the revenues Citizens receives should cover its cost of serving the Griffith. However, it is theoretically possible that Citizens could experience a negative margin on this agreement. Under existing NSP tariff provisions, the margin from sales to NSP customers is split 50/50 between Citizens and the ratepayers. The ratepayers' share of the margin is credited to Citizens purchased gas adjustor bank balance, providing a direct benefit to ratepayers.

The proposed agreement appears to benefit both Citizens and its ratepayers. The proposed changes to the NSP tariff clarify how customers such as Griffith should be served under Citizens' tariffs. Staff recommends approval of the filing. Further, Staff recommends that any negative margin resulting from this agreement not be recovered from ratepayers in any future proceeding.



Deborah R. Scott

Director

Utilities Division

DRS:BGG:lhml

ORIGINATOR: Robert Gray

1 **BEFORE THE ARIZONA CORPORATION COMMISSION**

2 WILLIAM A. MUNDELL
Chairman

3 JIM IRVIN
Commissioner

4 MARC SPITZER
Commissioner

5
6 IN THE MATTER OF THE APPLICATION OF)
CITIZENS COMMUNICATIONS COMPANY -)
7 FILING FOR APPROVAL OF A GAS SUPPLY)
AGREEMENT WITH PP&L ENERGY PLUS)
8 AND CHANGES TO THE NEGOTIATED SALES)
PROGRAM TARIFF)
9

DOCKET NO. G-01032A-01-0372

DECISION NO. _____

ORDER

10 Open Meeting
May 22 and 23, 2001
11 Phoenix, Arizona

12 BY THE COMMISSION:

13 FINDINGS OF FACT

14 1. Citizens Communications Company ("Citizens") is engaged in providing natural gas
15 within portions of Arizona, pursuant to authority granted by the Arizona Corporation Commission.

16 2. On May 2, 2001, Citizens filed for Commission approval of a gas supply agreement with
17 PP&L Energy Plus for the Griffith Energy generating facility ("Griffith"). Citizens filing also requests
18 Commission approval of several changes to the Negotiated Sales Program ("NSP") tariff.

19 3. The Griffith plant is a 650 megawatt natural gas fired generation facility that is located
20 near Kingman, Arizona. Duke Energy and Griffith Energy LLC, a subsidiary of PP&L Global, Inc.,
21 own the Griffith plant. Griffith anticipates beginning commercial operation in June 2001.

22 4. Previously, the Commission approved a special gas transportation agreement between
23 Citizens and Griffith on July 21, 1999 (Decision No. 61835) approving Citizens' construction of
24 natural gas pipeline facilities to interconnect Griffith with the El Paso and Transwestern interstate
25 pipelines.

26 5. The proposed changes to the NSP tariff add language indicating that special gas supply
27 contracts such as this contract between Citizens and Griffith are eligible for service under the NSP
28 tariff, but require Commission approval.

1 6. Currently, the wording of the NSP tariff limits service on the tariff to customers who
2 receive service under Citizens' T-1 tariff for transportation of customer-secured natural gas. Because
3 Griffith is a new customer, it does not currently receive any type of gas service from Citizens and,
4 therefore, does not qualify for service under the current NSP tariff. Any customer served under a
5 special gas supply contract would have to meet the minimum requirements of the T-1 tariff.

6 7. Citizens has provided the proposed contract to Staff under a confidentiality agreement.
7 The term of the proposed agreement would be July 1, 2001, through September 30, 2003.

8 8. The agreement contains a clause indicating that the parties will make their best efforts
9 to implement the terms of the agreement prior to July 1, 2001, if Commission approval is granted
10 before July 1, 2001.

11 9. Citizens currently holds interstate pipeline capacity rights on the El Paso Natural Gas
12 Company and Transwestern interstate pipelines. Citizens will use existing pipeline capacity rights to
13 serve Griffith.

14 10. The proposed agreement would be used to supply Griffith with a portion of its natural
15 gas needs.

16 11. Staff has reviewed the proposed agreement and believes that the revenues Citizens
17 receives should cover its cost of serving the Griffith. However, it is theoretically possible that Citizens
18 could experience a negative margin on this agreement.

19 12. Under existing NSP tariff provisions, the margin from sales to NSP customers is split
20 50/50 between Citizens and the ratepayers. The ratepayers' share of the margin is credited to Citizens
21 purchased gas adjustor bank balance, providing a direct benefit to ratepayers.

22 13. The proposed agreement appears to benefit both Citizens and its ratepayers. The
23 proposed changes to the NSP tariff clarify how customers such as Griffith should be served under
24 Citizens' tariffs.

25 14. Staff has recommended approval of the filing.

26 15. Further, Staff has recommended that any negative margin resulting from this agreement
27 not be recovered from ratepayers in any future proceeding.

28 ...

CONCLUSIONS OF LAW

1. Citizens is an Arizona public service corporation within the meaning of Article XV, Section 2, of the Arizona Constitution.

2. The Commission has jurisdiction over Citizens and over the subject matter of the application.

3. The Commission, having reviewed the application and Staff's Memorandum dated May 8, 2001, concludes that it is in the public interest to approve the filing.

ORDER

THEREFORE, IT IS ORDERED that the revised filing be and hereby is approved.

IT IS FURTHER ORDERED that any negative margin resulting from this agreement not be recovered from ratepayers in any future proceeding.

IT IS FURTHER ORDERED that this Decision shall become effective immediately.

BY ORDER OF THE ARIZONA CORPORATION COMMISSION

CHAIRMAN

COMMISSIONER

COMMISSIONER

IN WITNESS WHEREOF, I, BRIAN C. McNEIL, Executive Secretary of the Arizona Corporation Commission, have hereunto, set my hand and caused the official seal of this Commission to be affixed at the Capitol, in the City of Phoenix, this _____ day of _____, 2001.

BRIAN C. McNEIL
Executive Secretary

DISSENT: _____

DRS:BGG:lhbm

1 SERVICE LIST FOR: Citizens Communications Company
2 DOCKET NO. G-01032A-01-0372

3 Mr. Carl W. Dabelstein
4 Vice President, Regulatory Affairs
5 Citizens Utilities Company
6 2901 North Central Avenue, Suite 1660
7 Phoenix, Arizona 85012-2736

8 Mr. Christopher C. Kempley
9 Chief Counsel
10 Arizona Corporation Commission
11 1200 West Washington
12 Phoenix, Arizona 85007

13 Ms. Deborah R. Scott
14 Director, Utilities Division
15 Arizona Corporation Commission
16 1200 West Washington
17 Phoenix, Arizona 85007
18
19
20
21
22
23
24
25
26
27
28